



## **Budget Tidbits... just the facts**

**By Sen. Joe Zarelli, Ranking Republican  
Senate Ways & Means**

### **Budget Brief #6: (2/16/10) The Year to Reform Government, Part VI: K-12 Financing Reform**

*SB 6858 -- A proposal for more ample, equitable, and dependable state funding of public schools.*

*"Thirty years have passed since our State Supreme Court directed the State to provide stable and dependable funding for basic education. The State has made progress toward this Constitutional obligation, but remains out of compliance. State funding is not ample, it is not stable, and it is not dependable. Local school districts continue to rely on local levies and other non-State resources to supplement state funding for a basic program of education."*

*-- Judge John P. Erlick, King County Superior Court (2/4/10)*

#### **I. The Problem**

There are two significant concerns with the way the state currently finances K-12 public education.

- First, school districts allege the state underfunds basic education, particularly in the areas of transportation and maintenance, supplies, and basic operating costs. Districts contend local levy dollars pay for these to the tune of \$800 million a year statewide. A recent King County Superior Court ruling concluded the state is not meeting its constitutional obligation, finding local levies are used to fund a basic program of education.
- Second, to the extent basic education services are provided at the local level, the cost to local voters varies significantly. Property-wealthy areas are able to finance such services at a fraction of what it costs property owners in less affluent areas.

#### **II. The Solution: Increase state funding, while capping local levies**

Senate Bill 6858 proposes to address the problems with K-12 financing by doing the following:

1. Restructuring K-12 financing --In a combination of two steps, a portion of the current school district local levy is converted into a state property tax. This will have the effect of creating greater equity between property-wealthy school districts and property-poor ones. Specifically, SB 6858 reduces all school districts' local levy authority by 12% and increases the state property tax levy by an equivalent amount. Most districts have a 24% levy lid, so this functionally removes half of their levy authority. However, the state property tax levy is increased by 88 cents in 2011, generating an

estimated \$828 million a year – although, as noted above, local levy authority is reduced by an equivalent amount. Proceeds from the state levy are dedicated to the support of common schools.

2. *Fully funds districts' transportation and operating costs* – The increased state revenues are used to fully fund the [Quality Education Council](#)'s recommendations on enhanced state funding for school districts' transportation and maintenance, supplies, and operating costs. This is designed to address school districts' two primary concerns: that local levy dollars are used to fund basic transportation and school district operating cost needs.

3. *'Hold harmless' all school districts* -- A “hold harmless” provision is included. This requires the state to appropriate sufficient funds to ensure no district receives total revenues that, as a result of this act, are less in the 2011-12 school year than the total revenue received in the prior year.

### **III. Impacts to School Districts & Taxpayers**

- School Districts

- Almost 2/3rds of school districts receive more funds under this approach. Overall, there are 196 school districts estimated to receive more funding.
- The other 1/3rd are held harmless via state appropriations. This is estimated to cost about \$84 million in the first year.

- Impact to Taxpayers

- A majority of school district taxpayers will pay less in property taxes. The estimate is that taxpayers in 156 school districts will pay less.
  - These districts representing 661,680 pupils (or 67% of pupils in state).
- It is estimated that taxpayers in 139 school districts will pay more. These mainly comprise two groups:
  - *Property-wealthy districts.* By shifting from a local financing model where they finance services at a low millage rate, these districts end up paying higher taxes when a uniform statewide rate is assessed.
  - *Districts with less than a 12% levy.* If a district imposes less than a 12% levy, the reduction of a district's levy authority by 12% does not benefit taxpayers. These taxpayers consequently pay more if the 88-cent state levy is imposed.

### **IV. End Result: More Ample, Dependable, and Equitable State Funding**

The benefits to this proposal are significant.

1. *More ample state funding* -- This proposal increases state funding of K-12 by more than \$900 million a year. Most districts will receive more total funds than under the current model, and no district will receive less funds.

2. More dependable funding source for school districts -- Local levies are dependent upon voter approval and funded on a temporary basis. The shift from local to state funding proposed in this bill ensures that funding is more dependable for schools than the current system, especially since the funding that is being added at the state level – transportation and operating costs – is deemed part of constitutionally protected basic education.
3. More equitable funding -- By financing basic costs at the local level under the current system, the tax burden imposed varies significantly. Property-poor areas have to pay significantly higher levy rates than property-wealthy areas in order to finance the same level of service. Under this bill's approach, such basic services will be financed across the state with a uniform state property tax levy. This will ensure a more equitable tax burden across the state.
4. Districts become much less reliant on local levies -- This will enable districts to focus resources and efforts on improving classroom instruction and outcomes, rather than on spending inordinate amounts of time passing school levies.
5. Addresses core issues raised in lawsuit over state's K-12 financing -- As noted in the opening quote from Judge Erlick, a core concern is that local school districts have been financing basic education services with local levy dollars. This proposal takes the two most prominent issues raised by local districts – transportation and basic school operating costs – and assumes state responsibility for those items.

### **Bottom Line**

Should the Legislature adopt SB 6858 to address chronic concerns about K-12 education funding and ensure state government fulfills its paramount constitutional duty – “ample provision for the education of all children” – in a way that significantly increases state funding for schools, relieves pressure on local school districts and reduces the property tax burden in a majority of districts?